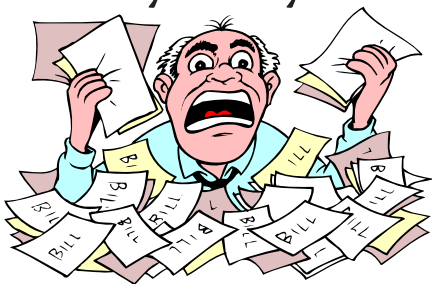


Just the facts on...

Payday Lending



Keep your blood pressure in check. Don't let interest and unexpected fees pile up on loans.

What is Payday Lending?

Payday loans are short-term loans that offer a cash advance in return for a finance charge and a post-dated check as collateral.

How does it work?

Payday loans are easy to obtain because lenders do not require a full credit check or determine if an individual's budget can accommodate the loan. To guarantee payment of these loans, payday lenders charge exorbitant interest rates, finance charges, and fees. Some lenders also extend the loan term, allowing them to collect interest for a longer time period. Lenders simply require individuals to have an active bank account, regular income, and identification. To receive a cash advance, individuals pay a finance charge and hand a post-dated check over to the lender.

What are some disadvantages?

Some lenders encourage repeat borrowers, so they can profit from interest that has compounded. The vast majority of their business comes from borrowers who take out five or more loans each year. Interest rates and finance charges compound with each additional loan, leaving the average borrower paying roughly 250% more than the original loan.



South Carolina Department of Consumer Affairs

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Danger! Danger! Danger!

Borrowers may assume payday advances through their local bank are trustworthy and less likely to charge excessive rates. Unfortunately, this may not be the case. Payday lending shops will often buy very small state banks.



By doing this, they can operate their “lending” practices through bank branches without being suspected or investigated.

Be cautious of lenders that do the following:

- Tell you to falsify information on an application
- Misrepresent the kind of credit you are getting
- Pressure you into monthly payments you cannot make
- Do not provide you with required loan disclosures
- Give a different set of application terms than promised

What can you do to protect yourself?

- Ask questions...lots of questions.
- Talk with your creditor before you miss a payment.
- Do not pay fees without a valid reason.
- Shop and compare different types of short-term loans.
- Keep monthly payments within your household budget.
- Establish an emergency fund for unexpected finances.
- Look for emergency assistance through military, charitable, religious, or relief organizations.
- Apply for a small loan or credit card at your bank.
- Avoid additional high-cost, high-risk credit options.

What does SC Law say about it?

South Carolina law limits payday loans to \$300 for no more than 31 days. The maximum finance rate is 15%. The maximum finance charge for a 14-day loan, \$100 is \$15. The maximum APR (interest rate) for a 14-day, \$100 loan is 390%. While these limits are designed to protect consumers against predatory lending, they are weak compared to other states. In fact, fourteen states have declared ALL payday lending to be illegal.